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C O N F I D E N T I A L SECTION 01 OF 02 HONG KONG 000444

SIPDIS

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TAGS: [ENRG](#) [EPET](#) [PGOV](#) [SENV](#) [CH](#) [HK](#)  
SUBJECT: HK'S ENVIRONMENTAL SECRETARY ON ENVIRONMENTAL  
PRIORITIES AND LNG SUPPLIES

REF: 08 HONG KONG 5909

Classified By: CONSUL GENERAL JOE DONOVAN. REASONS: 1.4 (B,D)

11. (SBU) SUMMARY: Hong Kong's Secretary for the Environment Edward Yau told the Consul General on March 5 that despite universal agreement that the full impact of global economic difficulties is yet to come, Hong Kong will not cut back on environmental programs and will continue funding to assist building owners to improve energy efficiency. Yau said he is pleased with the new Green Quality Living program initiatives in the Pearl River Delta (PRD); Hong Kong will play a major role in leading this effort. Hong Kong will benchmark its new air quality standards to WHO standards and continue to push utility providers to convert to natural gas in order to reduce emissions. END SUMMARY.

HK's Environmental Plans Not Impacted by Economic Downturn  
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12. (U) Secretary for the Environment Edward Yau told Consul General Donovan on March 5 there is universal agreement among Hong Kong's leadership that the full impact of the current economic difficulties is yet to come. Despite this, Hong Kong will not cut back on its commitment to improve the environment, and the 2009-2010 budget has increased funding slightly for environmental programs. Noting Hong Kong's primary energy use is in buildings, Yau detailed HKG plans to invest substantially in projects to upgrade public buildings' energy efficiency and said the government will match dollar-for-dollar private or commercial renovation programs to do the same. To qualify for government funding, building owners must undergo an energy audit that will recommend specific energy-saving upgrades and then use the funds to implement one or more of these suggestions.

13. (U) Speaking more broadly, Yau said he was pleased with the recently announced PRD Green Quality Living Area program, describing it as a 20-year holistic approach to improve and protect the regional environment. This is the natural next phase of a process that began with the Hong Kong-Guangdong air quality agreement in 2002. Yau noted the program contains considerable input from Hong Kong, and he likened Hong Kong's relationship with Guangdong and mainland China to California's impact in the U.S. in pushing clean air regulations and environmental issues to the front of the U.S. national agenda. As part of this push, Yau stated, Hong Kong will benchmark its new air quality standards to WHO standards. The Hong Kong government would announce this benchmark in the next few weeks, Yau said. (Note: Hong Kong's NGO community has been pressuring the HKG to adopt WHO air quality standards for some time and the announcement is widely anticipated. NGOs are, however, very concerned that Hong Kong will adopt the lowest entry level standards possible, designed for developing countries and easily obtainable, but inappropriate for Hong Kong. End Note.)

Alternative Energy and LNG Supplies

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14. (SBU) Yau said Hong Kong is actively talking with electric car makers in the Mainland and Europe and would like to invest in the necessary infrastructure to make the commercialization of electric cars viable in Hong Kong. Yau would also like to see more investment by utility providers to harness wind energy to produce electricity. To encourage this, he said, the scheme of control which governs the rates power companies can charge customers has been adjusted to provide an 11% return on power generated by renewable resources. Yau recognized the difficulties the utilities would face building viable wind farms in Hong Kong due to the topography, saying such projects would most likely have to be regionally based and end up being built across the border in Guangdong.

5.(C) In the short-term, Yau said, Hong Kong has little choice but to increase its use of natural gas in order to reduce air pollution. The HKG will continue to push Hong Kong's two utility providers to convert more of their electricity generation capacity to LNG (Liquefied Natural Gas). When asked about the impact of the unexpected cancellation of the planned Soko Island LNG terminal on the utility companies, ability to secure LNG supplies, Yau was blunt and unsympathetic. Referring to the mainland China energy MOU signed in August 2008, Yau said the Mainland government has guaranteed the LNG supply at market prices. Even though China Light and Power (CLP) may have lost the Soko Island terminal here in Hong Kong, they have since negotiated a 24% ownership stake with Petro China in a planned Gas Recovery Station (GRS) in Guangdong province to

HONG KONG 00000444 002 OF 002

secure the necessary gas supplies.

16. (C) COMMENT: ExxonMobile officials involved in a joint venture partnership with CLP have confirmed CLP's stake in a planned GRS and storage terminal, telling us the plant will be built in Dachen, north of Shenzhen. Although this stake will give CLP access to gas from the planned West-to-East natural gas pipeline, the investment is viewed as a poor alternate choice. It will not replace current supplies from the Yacheng field if it runs dry as expected in 2013 and was only considered as an option at all due to the cancellation of the Soko Island terminal project (Reftel). ExxonMobile officials also told us they are aware of ongoing discussions to build an LNG terminal in Zhuhai, just north of Macau. END COMMENT.  
DONOVAN